



Department of Justice

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JUSTICE DEPARTMENT AND FTC URGE RHODE ISLAND LEGISLATURE TO ALLOW NON-LAWYERS TO PERFORM REAL ESTATE CLOSINGS

Proposed Bill Would Likely Cause Consumers to Pay More

WASHINGTON, D.C. -- The United States Department of Justice and the Federal Trade Commission issued a letter on March 29, urging the Rhode Island House of Representatives to reject a proposed bill that would prevent non-lawyers from competing with lawyers to perform real estate closings. The agencies expressed concern that the bill would likely cause Rhode Island consumers and businesses to pay more for real estate closings and prevent them from benefitting from competition from out-of-state and Internet lenders that could provide more convenient closing services.

"The proposed bill would subject Rhode Islanders to an artificial restriction on competition that likely would cause them to pay more to close their real estate transactions," said Charles A. James, Assistant Attorney General in charge of the Justice Department's Antitrust Division.

For many years, Rhode Islanders have had the choice to close a refinancing loan with a lawyer or a lay closing service. The bill would eliminate this competition by requiring consumers to use a lawyer to close almost all real estate deals. The bill covers both residential and commercial deals and purchases, refinancings, second mortgages, and other transactions.

"This bill would likely deprive Rhode Islanders of significant benefits of competition, such as lower prices, more convenient services, and the option to use inexpensive Internet-based loan services," said Timothy J. Muris, Chairman of the Federal Trade Commission.

The bill contains limited exceptions, and would allow closings by lay employees of firms owned entirely by Rhode Island attorneys, Rhode Island-chartered title companies, and title insurance firms. Lenders would be allowed to close their own home equity lines of credit but not other loans.

Even with such exceptions, the bill would restrict the current choices available to Rhode Island consumers and is likely to increase closing costs and inconvenience.

According to the letter, one industry source estimated that Rhode Islanders could pay \$200-500 more, if buyers must pay for their own attorneys, as well as the lender's closing lawyer. In addition, the letter explains that wider competition in real estate closings can improve the quality of such services. Non-lawyers may be more willing to travel to the homes of consumers or to meet consumers after work or at other convenient hours. Limiting choice by barring lay competition would likely deprive consumers of these benefits.

The letter notes that consumers in much of the country can choose between lawyers and non-lawyer real estate closing services. Since 1996, both Virginia and New Jersey have considered and rejected bans on non-lawyer closing services. In both states, non-lawyer closing services were substantially less expensive than their lawyer counterparts.

The bill being considered is H. 7462, "An Act Relating To Criminal Offenses - Law Practice." It was introduced by Representative R. Menard and referred to the Rhode Island House Judiciary Committee.

Copies of the documents mentioned in this release are available from the Department of Justice and the FTC. The Department of Justice's Web site is <http://www.usdoj.gov/atr>. Paper copies of the documents are also available from the Justice Department's Antitrust Documents Group, telephone: (202) 514-2481, fax: (202) 514-3763, e-mail: atrdocs.grp@usdoj.gov.

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